Findlay Park Partners LLP (Findlay Park) is an independent investment partnership based in London. The Investment team manages a single fund: the Findlay Park American Fund (American Fund), which was launched in 1998. **Our purpose is to generate compelling compound returns for our investors, measured over decades**. We have a clear Investment Philosophy that is aligned to our purpose and rigorously applied through all market conditions. This philosophy aims to identify quality companies and control the downside risk in each investment. **We believe that we can generate higher compound returns for our investors by taking *less* risk.** Consideration of ESG issues, thorough engagement, and voting are key to identifying opportunities and mitigating business risk in order to deliver strong risk-adjusted compound returns over time.

1H 2021 highlights

- 100% voting record, supporting all climate related resolutions
- Over 60 engagements with companies where ESG issues were discussed
- Engaged with Warren Buffett on climate change
- Developed a carbon tax model – outlining the impact of a carbon price on companies
- Committed not to invest in controversial weapons companies

Overview

Three areas have been core to our responsible investment work at Findlay Park since the start of the year: undertaking meaningful voting and engagement with companies; enhancing our focus on climate change; and evolving binding restrictions in our investment approach, starting with a commitment on controversial weapons.

Amidst COVID-19 related pressure on compensation we saw equality issues and climate change come to the fore in annual general meetings this proxy season. Examples of the latter theme included new 'Say on Climate' resolutions, and an extraordinary victory for an activist investor at ExxonMobil (not held in the Fund), who had three candidates appointed to the Board largely due to concerns over the Energy Transition.[1] We voted for all climate resolutions put before us, which appeared at four companies: **Berkshire Hathaway, Charter Communications, S&P Global** and **Union Pacific**.

When applying our approach to responsible investment we have made **a commitment to encouraging better corporate disclosure on climate and environmental issues**. To this end, we support CDP, formerly the 'Carbon Disclosure Project'. Earlier this year we worked with CDP as the lead shareholder on its engagement with **Berkshire Hathaway** on climate change, and subsequently wrote to Warren Buffett. We were encouraged that Warren personally responded to us (by fax!) outlining the rationale for the current strategy of delegating climate related reporting to subsidiaries on a voluntary basis. This is partly due to the decentralised nature of the group, with Buffett noting that "literally 18 people [were] in the office today", and because he believes that the materiality of this issue varies significantly between firms. Importantly, he emphasised that the businesses for which this is most material are furthest ahead (we would note that the utility business, Berkshire Hathaway Energy, has spent $30 billion on renewables and has communicated a coal phase out plan).

[1] Jillian Ambrose, 'ExxonMobil and Chevron suffer shareholder rebellions over climate', The Guardian (May 2021) [Accessed: https://www.theguardian.com/business/2021/may/26/exxonmobil-and-chevron-braced-for-showdown-over-climate].

© 2021. Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Overall, he outlined that subsidiary companies assess climate among a variety of risks and conduct themselves in a very climate-conscious manner. This was further evidence to us that the leadership at Berkshire Hathaway does take this issue seriously.

Warren went on to state that he appreciated the tone of our inquiry, noting that it was "quite different" from what he'd received from certain organizations that expect an extensive reply but show no indication of having read the discussions of climate that have taken place in Berkshire Hathaway's annual report and at the company's annual meetings. We look forward to continuing conversations with Berkshire Hathaway on this subject, with the aim to encourage the firm to enhance reporting at least at the subsidiary level. We also hope to attend next year's annual general meeting in person, at Warren's invitation.

We have also participated in a number of significant votes on compensation this year. Research shows that **the only S&P 500 companies which lost their 'Say on Pay' from 2018-2020 were those where Institutional Shareholder Services ('ISS') had recommended a vote against.**[2] Many investment firms seem to have outsourced decision making in this critical area of stewardship. By contrast, we make our voting decisions independently, guided by our voting principles and our Investment Philosophy, and seek to engage with companies before we vote. This helps us make a fully informed decision, and gives companies a sense of our voting rationale and areas for improvement.

Union Pacific is an example of a compensation decision where we voted against both management and ISS. The firm had decided to exclude the impact of 2Q 2020 – when rail volumes declined significantly due to the pandemic – in determining executive compensation. Management's decision seemed inappropriate, at a time when employee morale was low following the firm's transition to a less labour-intensive model. We voted against the compensation resolution, as well as supporting two shareholder resolutions related to climate and inclusion.

At Findlay Park we believe that reputation is paramount, both for the corporates in which we invest and for our own organisation. For many years we have communicated that controversial businesses generally fit poorly with our Investment Philosophy. We also believe that there are nuances when it comes to ESG matters, and that a 'rules based' approach is therefore unwise. In general we prefer to partner with businesses willing to improve the business environment in which they operate, rather than excluding swathes of the economy. We see this approach as a more effective way to achieve better outcomes for investors.

However, there a few areas where we – and we know many of you, our investors – would prefer the clarity of hard rules. The first of these, to which we are now committed, relates to non-investment in controversial weapons. **We will therefore not be investing in the small number of companies likely in breach of key controversial weapons conventions** covering: cluster munitions, antipersonnel mines, biological and chemical weapons. We've always aimed to 'do the right thing' at Findlay Park, and consider the exclusion of controversial weapons as the right thing to do for the Fund and our investors, and a prudent protection of our reputation and those of our investors. Our approach to responsible investment will always be based on a robust approach to ESG integration and engagement rather than exclusions.

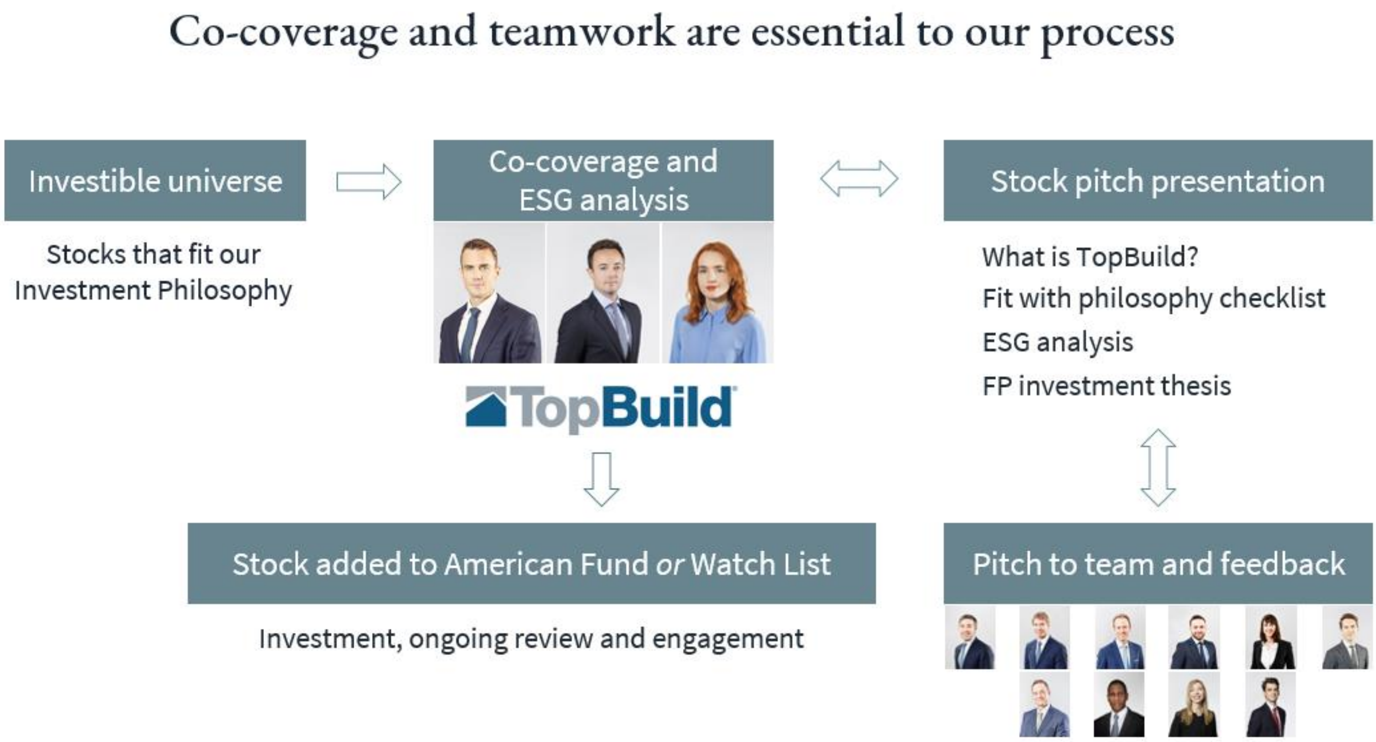
[2] 'Say on Pay': COVID Compensation in Question', Morgan Stanley (May 2021).

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

ESG Integration

We aim to invest in great businesses, and believe that responsibly managed companies are best placed to provide superior long-term investment opportunities. Consideration of ESG factors is embedded throughout our entire investment process, and is guided by our Investment Philosophy. We do not believe responsible investment can be effectively outsourced, and we undertake our own research. A thorough ESG review is undertaken for every new stock considered for the American Fund, as well as for detailed reviews of existing holdings.

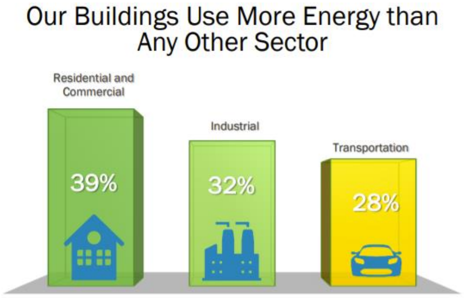
Findlay Park's culture is one of teamwork and the investment process for the Fund is team-based. We firmly believe that ESG integration is every team members' job, and is best implemented as a collaborative effort. A description of the review process for insulation installer **TopBuild** is shown below.

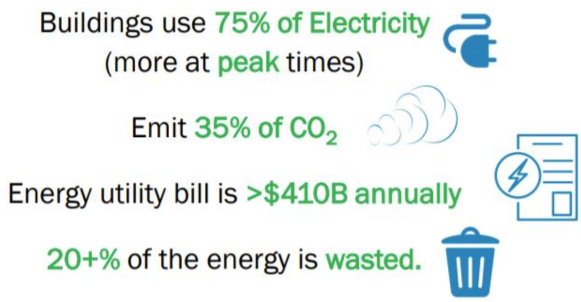


We believe this stock will benefit from the strong background for US housing given pent-up demand, but that it may also enjoy regulatory tailwinds. The US Department of Energy states that buildings and related energy requirements account for more CO_2 than any other sector in the US at 35%. Moving the US to a lower carbon economy will, therefore, require rethinking on how buildings are designed and maintained – with energy efficiency a key component of this story. Another ESG factor which encouraged us was the inclusion of health and safety metrics in executive compensation – indicating a focus on this material social issue.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

US Department of Energy presentation – October 2020[3]





Alongside this deep dive analysis, and to enable ongoing monitoring of stocks' ESG performance, we have developed our own proprietary ESG ranking system – our **Responsible Investment Gauge (RIG)**. We use this framework to help us simplify complex information to better prioritise, assess and explain relevant ESG issues. The RIG aggregates internal information (reflecting in depth ESG research, engagement, voting, our assessment of management and a firm's alignment with sustainable themes) as well as external data points. The external data points relate to our five themes of interest, which we believe are relevant to each stock in our Fund. These are highlighted below:

Human Capital	Climate & Environmental	Corporate Governance	Cyber Security & Data Privacy	Business Ethics & Reputation
Rationale				
All businesses are people-driven	Climate change risks are increasing and systemic	Robust oversight is key to financial sustainability	Rapid digitalisation poses new challenges	Business conduct is under scrutiny in an age of transparency

Although primarily a tool to encourage further research and engagement, this has also helped us to make decisions around portfolio construction. For instance, the RIG gives us additional confidence to increase weighting in certain highly ranked stocks, and prompted us to question whether poorly ranked stocks should be included in our Fund or on our Watch List. The RIG is updated on a monthly basis, and formally discussed both at the Investment Committee and among the Investment team.

[3] https://www.energycodes.gov/technical-assistance/training/courses/timely-tales-energy-codes-kick-necc-seminar-series.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Sustainability Risks

Below we describe the sustainability risks related to our core ESG themes, and related Fund-level information.[4] These five themes were chosen for their relevancy across our Fund; and we believe all of them are financially material.[5] A snapshot of related metrics for our Fund, as at 30th June 2021, is provided with a more detailed explanation given below.

Findlay Park American Fund – sustainability data examples

	Human Capital	Climate & Environmental	Corporate Governance	Cyber Security & Data Privacy	Business Ethics & Reputation
ESG Metric	Glassdoor Score	Warming Potential	Voting & Engagement	Cyber Security Scorecard	UN Global Compact
American Fund measure	3.9 / 5 star rating[6]	2.2 degrees[7]	100% voting	80/100 cyber health score[8]	No clear breaches[9]

Human Capital

Poor human capital management entails a number of risks, including inferior: productivity, customer service, employee retention and attraction of talent. By contrast, strong human capital management is associated with better performance. One study looking at 28 years' worth of data on companies ranked among the "100 Best Companies to Work For in America" found they generated 2.3 - 3.8% higher stock returns per year than their peers.[10]

Glassdoor is a web platform allowing employees to comment on their experiences with employers and to give them a score from 1 - 5. We review these scores for all our companies on a monthly basis. The weighted average rating for companies in the Fund is **3.9.**[11] By way of context, Glassdoor describes 3.5 to 4 as a "satisfied" score and anything above as "very satisfied".[12]

---

[4] In line with the EU Sustainable Finance Disclosure Regulation. Given our structure, the approach to sustainability risks and impacts outlined herein applies both at the entity level and the product level.
[5] We use these in our assessment of companies, and they inform our overall investment thesis; although we do not apply an assessment of the financial impact of these factors at the Fund level, we highlight evidence of the materiality of each issue.
[6] Glassdoor, as at June 30th. One company, Alleghany, was excluded from this analysis given lack of reviews on the site.
[7] As at 30th June 2021. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission. This assesses future direct emissions (Scope 1) including corporate targets, rounded to the nearest 0.1 degree. Scope 2 and 3 emissions were not included due complexity of estimating and projecting them. MSCI as a stock has been excluded from this calculation, as the firm's ESG arms does not provide metrics for itself given conflict of interest concerns.
[8] SecurityScorecard as at 30th June 2021. This figure is a weighted average as at 30th June 2021, but excludes ratings for two stocks – Microsoft and T-Mobile - which the provider has indicated are unreliable on its platform due to the nature of these businesses. Specifically, it designates these 'internet service provider' companies as hosting sites managed by customers, which cannot be directly managed by them and therefore should not be attributed to the parent.
[9] ISS ESG as at 30th June 2021. No companies were flagged as 'red' for Failure or Imminent Failure to Respect Established Norms.
[10] Alex Edmans, "The Link Between Job Satisfaction and Firm Value", Academy of Management Perspectives, 2016.
[11] Glassdoor, as at 30th June 2021. One company, Alleghany, was excluded from this analysis given lack of reviews on the site.
[12] As at 30th June 2021. Glassdoor guidance as at 11 December 2020 https://help.glassdoor.com/s/article/Ratings-on-Glassdoor?language=en_US.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Climate & Environmental

Regulators are increasingly concerned with the potential impact of climate change and other environmental risks. The possible impacts for companies include: operational or supply chain interruption, further regulation, increased taxation, and disruption to business models. Fund holdings are vulnerable to such risks, but it is difficult to assess the potential financial impact as this depends on a number of factors, including the extent of global warming.[13]

We monitor each company in the Fund for environmental risk. This includes assessing both the potential of their emissions to contribute to global warming – which we compare with the goal of the Paris Agreement – and the company's exposure to physical climate risk associated with rising temperatures, as well as water usage and deforestation. One of the additional tools we developed earlier this year – a carbon tax model – assesses the impact of a carbon price starting at $51 on the 2022 net income levels of the stocks in which we invest.[14] This figure was chosen as the current US administration is recommending this as an interim 'social cost of carbon' – the price which might incorporate the negative externalities of carbon emissions.[15] The **aggregate impact to net income from this price on current portfolio holdings was around 2.5%**, but with an uneven distribution across companies.[16] Only seven stocks had an impact higher than this figure – with the rest being below it. We have engaged with six of these seven companies, and are in the process of undertaking further research and engagement with the last company. **An example of a portfolio holding as assessed by this carbon tax model is shown below.** [17]

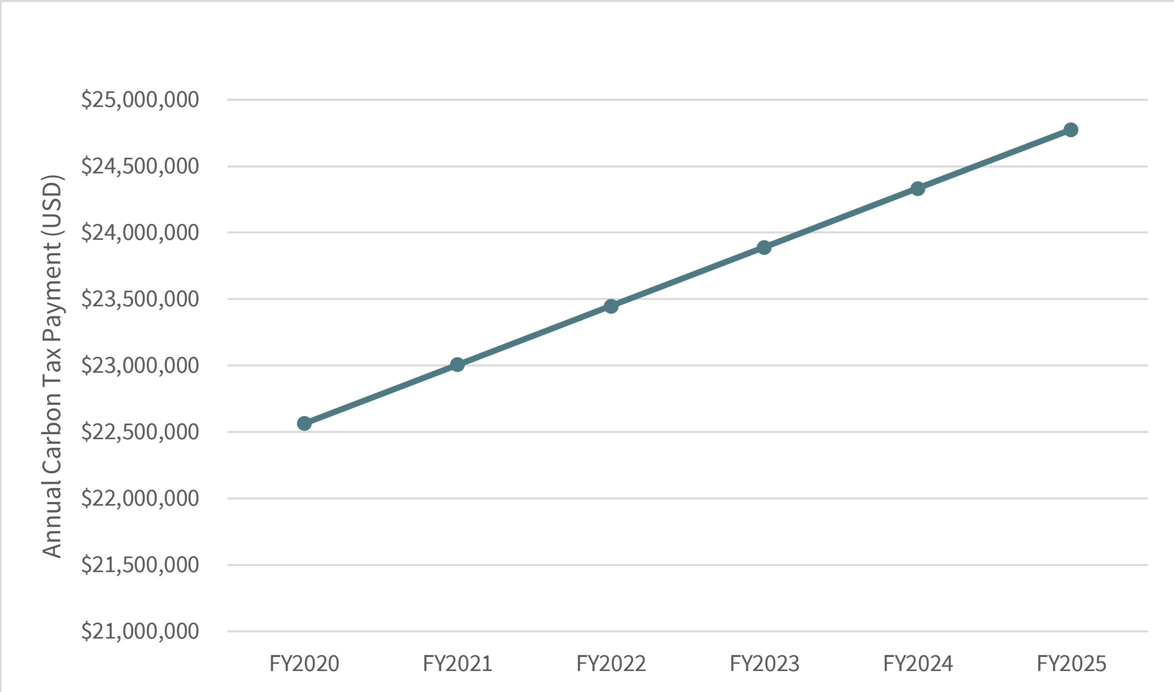
Findlay Park Carbon Tax Model – Example Stock Analysis[17]

Year	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2022 Tax as a % of Net Income	Warming Potential Scope 1
Estimated "Tax" USD	22,563,318	23,005,736	23,448,154	23,890,572	24,332,990	24,775,408	**2.40%**	**1.4°C**

[13] The cost of inaction: Recognising the value at risk from climate change, 2015.
[14] We used direct (scope 1) emissions as the most evident best reported and likely 'taxable' category – but with the option to include scope 2. Price used is per tonne of carbon produced.
[15] We are aware that a vast body of literature focuses on carbon pricing, and that many are calling for a much higher price. But this number was offered by the Biden administration to regulatory bodies when assessing this theme and is therefore the best near-term proxy for "indirect" carbon pricing in the use.
[16] Source: Findlay Park.Financial data as at 30th June 2021; environmental data sourced as at 26th July 2021.
[17] Source: Findlay Park analysis. Data as at 30th June 2021; environmental data sourced as at 26th July 2021.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Estimated Annual Carbon Tax Payment 2020-2025 – example stock analysis[18]



One of the other metrics we assess – the 'warming potential' of our companies, as modelled by MSCI – helps us gauge alignment with the Paris Agreement.[i] This metric indicates that if projected emissions performance of our holdings was representative of the emissions performance of corporates globally, the world would experience **2.2°C of warming by the end of the century**.[19] This is the same figure that we reported on 31st December 2020; over the medium to long term we would expect to see improvement on this metric. Noting the UK government's roadmap on Taskforce on Climate-Related Financial Disclosure, we will be reporting more information on this theme in the future.

One of the interesting outputs from our in-depth assessments is that some of the firms seemingly at highest risk from an emissions perspective (as indicated by MSCI and others) may also present interesting opportunities. Where this is the case, we have undertaken climate specific reviews supported by additional engagement. One vivid example relates to industrial gas company **Air Products**, which appears to have the highest carbon tax risk and warming potential of our portfolio holdings. However, further exploration highlights that the company's products are in fact helping reduce customers' pollution and greenhouse gas emissions. Air Products management team also believe that carbon taxes could be an *opportunity* for them. We believe that this firm can play a critical role in the Energy Transition, for instance through its innovation in carbon capture and storage and green hydrogen. Further details, and reference to our engagement with this company on climate issues, is found on page 11 below.

[18] *Ibid.*
[19] As at 30th June 2021. Certain information ©2021 MSCI ESG Research LLC. Reproduced by permission. This assesses future direct emissions (Scope 1) including corporate targets, rounded to the nearest 0.1 degree. Scope 2 and 3 emissions were not included due complexity of estimating and projecting them. MSCI as a stock has been excluded from this calculation, as the firm's ESG arms does not provide metrics for itself given conflict of interest concerns.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Corporate Governance

Poor corporate governance can impact the long-term value of a business, weakening corporate strategy, risk management, and the alignment of executives' interests with those of other stakeholders. The potential financial impacts include direct costs, for example excessive executive pay, and also opportunity costs through poor decision making. On the other hand, robust governance structures and appropriate incentives can enhance value.[20]

Four questions on our Investment Philosophy checklist specifically relate to management and governance issues. We prefer companies with strong leadership, appropriate governance structures, and management incentives that are aligned with shareholders. We give an overview of our voting and engagement for 1H 2021 on pages 13-19. We made active voting decisions at **100% of company meetings**, and have had **over 60 dialogues** with companies in the Fund where ESG issues were discussed.

Cyber Security & Data Privacy

Failures of data security and privacy can result in fines, additional regulation, litigation, and the loss of intellectual property and market share. These risks are emerging for Fund holdings, and escalating in the US market more broadly, particularly as 'Big Tech' becomes an increasingly critical part of it. The impact of these issues can vary. For instance, under EU regulation, failures to protect data security can result in fines of up to 4% of global revenue, but there is not a federal equivalent in the US. We regularly monitor firms' cyber health, and engage on cyber and privacy issues.

A core tool which helps us monitor cyber security is **SecurityScorecard**, which monitors the online health and risk indicators related to companies. At the end of June the average score for the Fund **was around 80/100**, which sits on the border of SecurityScorecard's B and C categories.[21] SecurityScorecard indicates that B rated companies are 2.6x as likely to experience a breach as A rated companies, and C rated companies 4.3x as likely (by contrast F rated companies are 7.7x as likely to experience such as breach).[22] We use these datapoints, supported by SecurityScorecard's continuous monitoring, as a reference when engaging with management on cyber matters.

In 1H 2021 we also spent a significant amount of time monitoring Big Tech firms' regulatory and social risks – many of which link to data privacy and ethics concerns. At the end of June 2021, these stocks represented 14% of the Fund compared with our benchmark at 19%.[23]

---

[20] Ulf von Lilienfeld-Toal & Stefan Ruenzi, "CEO Ownership and Stock Market Performance, and Managerial Discretion".
[21] SecurityScorecard as at 30th June 2021. This figure is a weighted average as at 30th June 2021, but excludes ratings for two stocks – Microsoft and T-Mobile - which the provider has indicated are unreliable on its platform due to the nature of these businesses. Specifically, it designates these 'internet service provider' companies as hosting sites managed by customers, which cannot be directly managed by them and therefore should not be attributed to the parent.
[22] For an explanation of breach risk see https://support.securityscorecard.com/hc/en-us/articles/360059719211-What-does-a-security-rating-mean-
[23] As at 30th June 2021. We define these "Big Tech" companies as: Alphabet, Amazon, Apple, Facebook and Microsoft.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Business Ethics & Reputation

Any major reputational issue can damage a firm's brand and weaken its relationship with key stakeholders such as customers, regulators, employees or wider society.[24] Our Investment Philosophy guides us towards companies with good reputations. We ask whether firms have strong and trusted brands, whether we like the corporate purpose and culture, and whether they face any regulatory headwinds. We also monitor firms' behaviour and any controversies associated with them, especially those which are severe or rapidly escalating. We often raise related issues through engagement and voting.

One tool we use to assess a company's conduct is ISS norms research, which assesses whether a company risks breaching fundamental norms relating to human rights, labour rights, corruption and environmental degradation. At 30th June 2021, **no company in the Fund was flagged as in breach of these global norms.**[25]

[24] Research from McKinsey has indicated that 30% of corporate earnings are reliant on effective connection with these external stakeholders. John Browne, Robin Nuttall &Tommy Stadlen, Connect: How companies succeed by engaging radically with society, 2016.
[25] Source ISS ESG as at 30th June 2021. No companies were flagged as 'red' for Failure or Imminent Failure to Respect Established Norms.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Engagement

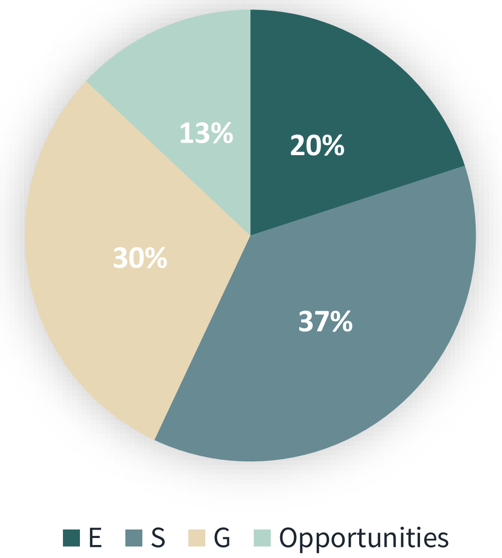
Engagement is essential to our investment process. ESG considerations are embedded in our Investment Philosophy, and our frequent interactions with companies on a wide range of topics means that isolating purely 'ESG engagements' is not always simple. However, we have identified over 60 engagements in 1H 2021 where specific ESG issues formed all or part of the discussion. For most of these meetings, this was alongside engagement on more traditional financial topics, but for around a quarter of these meetings, ESG issues were the core focus. The vast majority of these recorded engagements were with companies held by the Fund, but we have also included discussions with one company on our Watch List with whom we thoroughly engaged on ESG issues, and another with a company which was a promising idea, but which we decided not to pursue for ESG reasons.

Below we list key ESG topics discussed, shown in order of frequency, as well as a breakdown of themes – divided into Environmental, Social and Governance topics, as well as revenue opportunities from sustainable products, services and innovation (Innovation & Sustainable Opportunities). One change this year was increased discussion of **environmental issues which almost doubled to form 20% of all topics under discussion, up from 11% in calendar year 2020.**

Key ESG topics

- **Environmental Issues:** Climate related matters such as emissions were the most frequently discussed environmental issue, followed by weather (related to physical climate risk).
- **Social Issues:** Human capital was the topic theme most discussed, followed by purpose & culture.
- **Governance Issues**: Compensation featured most frequently in governance-related discussion, followed by management quality & succession planning.
- **Innovation & Sustainability Opportunities:** These discussions covered a range of sustainability related opportunities, particularly those related to climate change.

Topic type



As indicated above, we engage on a wide variety of issues covering both risks and opportunities. We look at risks over both a short- and longer-term horizon – believing that a corporate's impact on society or the environment may well materialise as a risk over time. In 1H 2021, we have undertaken a provisional assessment of how our engagement on ESG topics maps to issues outlined by European sustainable finance regulation. We see this as key to understanding corporate impacts on sustainability.[26] **We found that over 40% of our discussions on ESG touched on one or more of these defined sustainability impacts.**

[26] We have mapped engagements to metrics identified as either core or additional 'principle adverse impacts' under the evolving detail to the Sustainable Finance Disclosure Regulation. https://www.esma.europa.eu/press-news/esma-news/three-european-supervisory-authorities-publish-final-report-and-draft-rts.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Engagement Case Studies

Human rights

One of the more sensitive matters on which we have undertaken engagement this year relates to the risk of corporate links to the oppression of Uyghur peoples. We note that there is an increasing body of credible evidence that Uyghurs, as well as other Muslim minorities, are facing systemic discrimination, repression and abuse in Xinjiang.[27]

Companies could be implicated in this evolving controversy through their supply chains. Alternately, corporate technology or other services might be misused to oppress these communities. We noted that corporate statements on this issue have been divisive – for instance H&M has been effectively blacklisted from China for a particularly condemnatory statement against the use of cotton from the Xinjiang region.

In 2020 we spoke to one life sciences firm on this issue. This year we undertook research, unearthing a few companies in the Fund subject to allegations of potential links to this issue. We were encouraged to see all but one company had refuted their involvement, and reemphasised their policies which prohibit forced labour. We contacted the one company in this group which had seemingly not made such a statement; and also spoke with one leading technology company and one consumer facing company who had already made statements on this issue.

We asked these companies for greater clarity over their approach, and efforts to de-risk themselves. Although difficult, we see ways to work towards this, for instance through collaborating with peers to share knowledge and best practice on how to identify and avoid this issue. We were pleased that the company we contacted which had not made a statement – a company which is very cautious and rarely forthcoming with shareholders – responded to our request. It noted that it was collaborating with peers through the Responsible Business Alliance on this issue, and had reemphasised its prohibition on forced labour to its suppliers. We will continue to closely monitor developments on this important matter.

Air Products

As noted above, the industrial gas company Air Products is the one holding in the Fund which appears most at risk from a carbon tax perspective or warming potential. However this picture is in fact nuanced as Air Products provides a number of benefits to its customers by providing industrial gases which facilitate efficient industrial processes thereby reducing customer emissions. The efficiency provided by these industrial gases essentially transfers and reduces emissions that would occur from a steel mill, for example, to those from the provider of energy used in the production of the gas. This explains why the company appears to have high levels of owned emissions and those from electricity (Scope 1 and 2) emissions, but one could still argue that it contributes to the global goal of system wide emission mitigation.

The firm sees a carbon tax as highly beneficial for them, due to the change in customer behaviour. Customers might seek to buy additional low carbon products from them to help reduce their emissions such as carbon capture and storage "CCS", or hydrogen made with renewable energy (i.e. "green hydrogen"). Indeed last year the firm announced the world's largest green hydrogen project, and this year a large "blue hydrogen project" (hydrogen

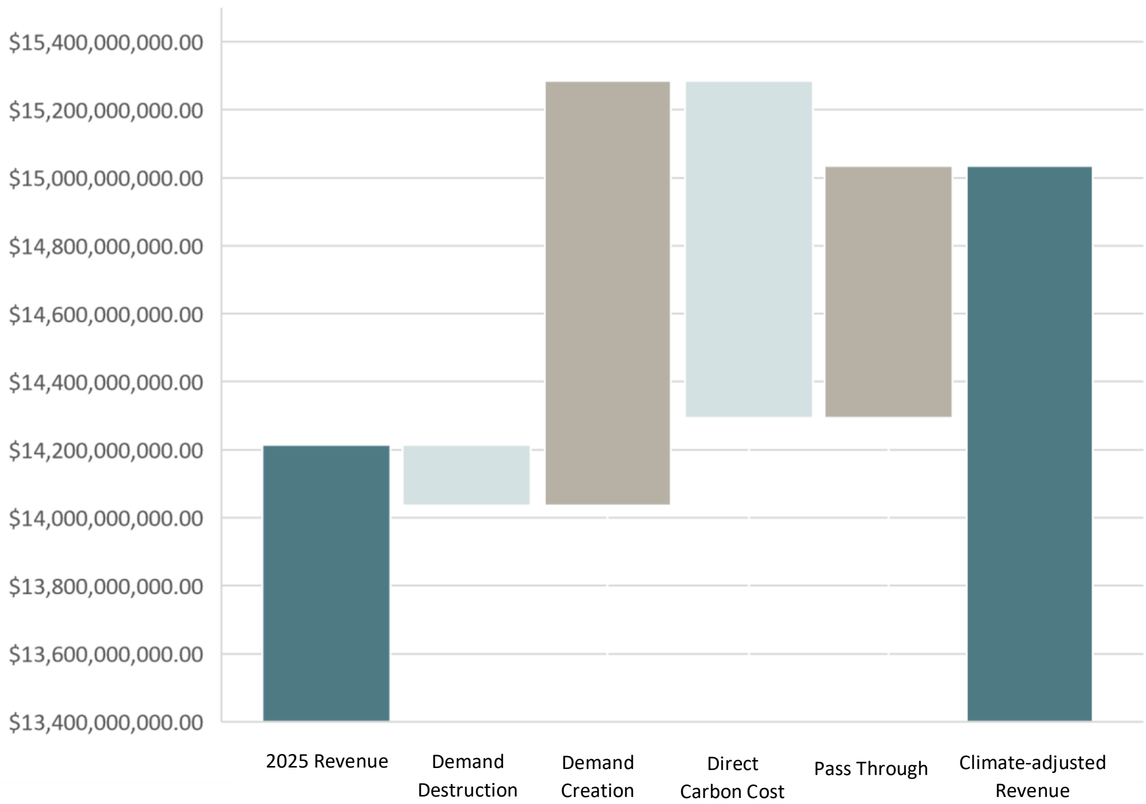
---

[27] Evidence is primarily based on accounts from those who've escaped the region, leaked official documents, and satellite imagery. China denies these allegations and maintains their actions are a combination of efforts to combat terrorism, integrate Uyghurs, improve their education and alleviate poverty.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

made using CCS) in Canada. These nuances illustrate the value of an active and engaged approach to climate, rather than overly relying on incomplete metrics. Below we attempt to sketch out the potential ‘puts and takes’ covering climate risk and opportunity, enabled by our engagement with the company.

Air Products potential financial climate impacts - 2025 estimate[28]



First we project 2025 revenue – unadjusted for climate change. In demand destruction we reflect that some of the firm’s highest carbon customers may go out of business due to climate related regulation or shifts in consumer preferences. Demand creation incorporates the current green hydrogen project, and potential to capture the developing market for CCS solutions. Direct carbon cost is the output from our carbon tax model, and the firm states that they expect to pass on 95% of this to customers, for whom they are an essential business. This results in a modest uplift in 2025 climate adjusted revenues versus current expectations.

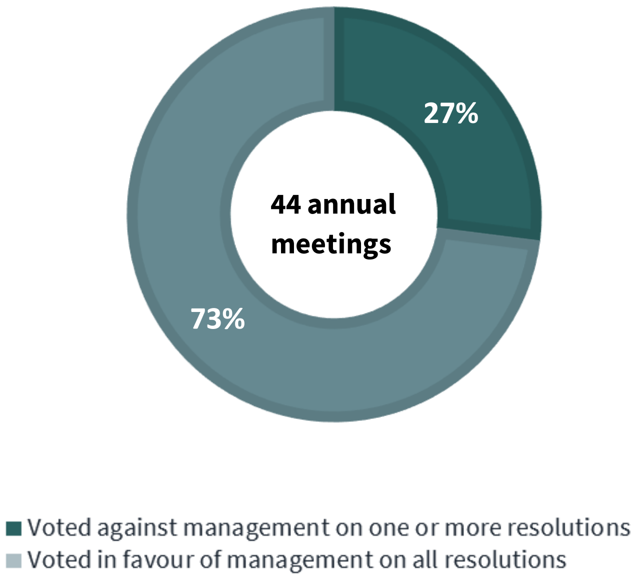
Although the absolute numbers are subject to much uncertainty and assumptions (for instance around the extent of demand destruction, demand creation, and pass through ability) – we are confident that this dynamic and nuanced approach provides a more holistic framework when thinking about the climate impacts to a business. We can also monitor developments in each segment as these evolve over time, and continue to ensure management is prioritising climate risk and opportunity.

[28] Source: Findlay Park analysis. Financial data as at 29th April 2021.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Voting

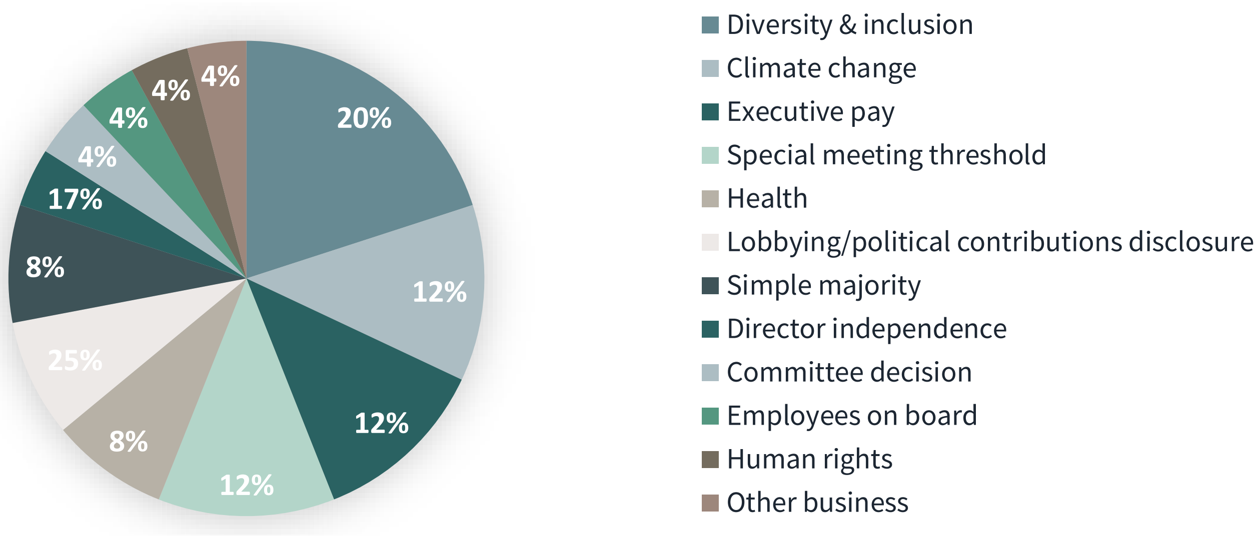
In 1H 2021 there were 45 meetings where we were eligible to vote as shareholders: 44 annual and 1 special. We have **opposed management on at least one resolution at 27% of annual meetings.**[29] This percentage was slightly lower than in previous years, where we opposed management at nearly one in three annual meetings. This is partly because we were open to Covid-related adjustments to pay – given the unprecedented nature of 2020 – as long as companies could demonstrate that they acted in the best interests of stakeholders during this time. We particularly considered the experience of employees and shareholders.



Our policy is to abstain only in exceptional circumstances, and accordingly we voted on all resolutions at all meetings this year. In line with our wider voting principles – which focus on remuneration, risk and purpose & culture – we voted to secure:

- Executive compensation aligned with shareholders' interests
- Effective boards with appropriate independent representation
- Transparency on material ESG issues including lobbying and political contributions

Below we show how we voted against management over the year by issue.[30] Votes related to lobbying/political contribution were most common, followed by director independence.



[29] Source: ISS ProxyExchange and Findlay Park analysis. Data as at 26th July 2021.
[30] *Ibid.*

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Below we detail each occasion where we voted against management, on a shareholder resolution, or were not aligned with the views of ISS. Votes related to mergers and acquisitions are also noted.

Management Resolutions

Executive compensation

In general, given the exceptional nature of the year, we were sympathetic to reasonable adjustments to compensation due to Covid – as long as this was not to the detriment of other key stakeholders such as employees and shareholders. We felt that, more than ever, businesses should be justifying compensation in 2020 with regard to these stakeholders, and challenged management on this where needed.

We voted against two compensation related resolutions directly, and indirectly on this issue through a vote against the Head of the Compensation Committee when a direct vote against compensation was not offered by the company. In two of the three cases our votes were out of line with the recommendations of ISS. We are disheartened, although not surprised, to **learn that the only S&P 500 companies which lost their 'Say on Pay' from 2018-2020 were those where ISS had recommended a vote against.**[31] This reflects the extent of ISS's influence in determining voting outcomes, and therefore the value-add of active and engaged managers challenging companies on issues not identified by ISS.

Below we note the three instances where we voted against management on pay, and overleaf outline where ISS recommended against pay, but we decided to support management under the circumstances.

Air Products and Chemicals

The firm had initially set 2020 compensation targets in anticipation that an important acquisition would take place that year. In fact this was materially delayed, to the frustration of shareholders. Nevertheless, we found that management compensation had been granted in a way which neutralised the impact of the acquisition being delayed – in other words executives were compensated for an action which had not occurred. This issue was neither emphasised by ISS, nor picked up by the vast majority of shareholders judging by the 94% of votes in favour of this motion. In discussion with management, the firm was not able to fully justify this change. As such, we voted against compensation.

Union Pacific

Union Pacific excluded the impact of 2Q 2020 from executive compensation, a period in which rail volumes declined due to Covid. This was an unusual move in and of itself. Furthermore we were concerned that this was insensitive to the experiences of both employees and shareholders. During Covid, employees were asked to take unpaid leave from work, and the firm has made headcount reductions in recent years. We do not think that shielding executives from the impacts of the pandemic is appropriate when employees and shareholders feel its full effects. Taking these factors into consideration we voted against compensation, and against the recommendation of ISS. Interestingly the

[31] 'Say on Pay': COVID Compensation in Question', Morgan Stanley (May 2021).

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

proposal received around 94% support, we believe due to the influence of ISS on voting. Not only did we engage ahead of the vote, but we also escalated our concerns to senior management to reflect the strength of our views.

Charter Communications

The firm does not offer a vote on compensation every year, which we view as poor practice. In this case the new CEO had also been given a substantial option award (which was not linked to targets), and a suboptimal change in control provision in his agreement. We decided to vote against the Head of the Compensation Committee as a result. We would note that ISS recommended voting much more broadly against Board members. However, we decided that a more targeted approach was appropriate given that this was a proxy for potential concerns on compensation.

Activision Blizzard

Due to the original design of CEO Bobby Kotick's contract – approved by shareholders before we held the company – he was entitled to a special award for sustained, substantial stock price accretion. We were aware that this would result in a significant quantum and discussed this issue with management in advance of the AGM.

Our three asks of management were for: quantum to be better justified and preferably adjusted downwards, employees and other stakeholders be factored into pay decisions, and for disclosure to be enhanced (including how the award related to Activision's 'strategic objectives'). The firm made progress on many of these issues, albeit that the quantum of awards was still significant for 2020. Going forward strategic objectives will be 20% of the award and "based on measurable ESG initiatives related to: human capital management, corporate social responsibility, and sustainability goals, which may include diversity, equity and inclusion metrics."[32] Future CEO pay will also have more regard to the median performance of peers, and another additional potential award (around "transformative transactions") was removed from the potential opportunity. Overall we thought this signalled progress and ultimately decided to support management.

Subsequent events, notably the firm's response to a concerning case against them, have made us question our decision to give management the benefit of the doubt on compensation. More widely we think this evidences weaknesses in corporate culture and leadership. We will communicate an update on related research and engagement with this company in our 2H 2021 report.

Alcon

ISS recommended a vote against executive compensation as this was adjusted for the impact of the pandemic on this business – which operates in the area of vision care. Without this adjustment, thresholds for bonuses would not have been met. Importantly, executives received 75% of their bonus, associates 85%, and front line associates 100%. To us this seemed fair and reasonable in the circumstances.

[32] The firm expects the latter to be centred on the hiring/promotion of members of underrepresented communities, hiring of veterans and sustainability.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Amazon

Executive compensation at Amazon is not linked to targets, which is out of step with wider market practice and led to a recommendation against pay by ISS. On speaking with the company they strongly argued that its business model – driven by innovation and the need for flexibility – meant that such targets were inappropriate. We'd note that Amazon's focus has shifted substantially over its short history, from its origins in books to its breath of offerings including cloud computing. We also note that Jeff Bezos has long taken a tokenistic salary from the firm. Overall we supported Amazon on this point (although we voted against many other resolutions at this meeting, as outlined in the shareholder resolution section below).

Becton Dickinson

Last year we voted against executive compensation as the firm had excluded the impact of negative regulatory issues on executive compensation, whilst employee bonuses and hiring were penalised. This year the firm was impacted by the pandemic. It made some adjustments to the bonus considering a number of important factors and stakeholders – quality, customers, employees, shareholders, operations and supply. Importantly over 90% of those benefiting from this decision on bonuses fell below the named executive level. Further, whilst the firm also issued a one-time special grant to a few executives to make up for some of the decline in the value of the long-term stock grant – the CEO did not benefit from such a grant. There were no other adjustments, for instance for regulatory or quality issues. After thorough engagement with management, we decided to support management.

Berkshire Hathaway

ISS recommended a vote against the Compensation Committee as senior executive's pay is non-standard, and the firm did not offer a direct vote on compensation this year (they do this every three years). Warren Buffett and Charlie Munger take a token base salary ($100,000) and no bonus. The two other most senior executives have large base salaries and a small, judgement-based bonus. Buffett and Munger's interests are aligned with shareholders given their considerable financial and personal stakes in the firm. As Buffett outlined in his recent letter to us: "You can be sure that I also think as much as any CEO about all risks to Berkshire… I also have 99% of my net worth in the company. My commitment is life-long". We decided not to vote against the Compensation Committee – although we did vote against the company on other important shareholder resolutions described below.

Fiserv

The firm have had an interesting leadership transition. Shortly after acquiring First Data in 2020, the CEO of that business, Frank Bisignano, took over from Fiserv's longstanding CEO, Jeff Yabuki. This led to two years where compensation looked very high for either the incoming CEO in 2020, or the outgoing CEO this year. This led ISS to recommend a vote against compensation in both years. Given Yabuki's long history of service to the company – with almost 15 years as CEO creating great returns for shareholders and seemingly well regarded by employees – we thought generous compensation in 2020 was appropriate.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Mastercard

The company made adjustments to bonus compensation in both 2020 and 2021 to take account of the significant impact that the economic downturn and lack of travel had on their business. The company also made adjustments to the 2018 cycle long-term equity award. The firm noted that its Total Shareholder Return (TSR), both over a one and especially 3 year period, has been strong. It also cited the importance of employee recognition during an exceptional year.

On engaging with the firm, we understood that the benefits of the changes in compensation were widespread. Equally, the adjustments made in 2021 were designed so that if macro factors were better than expected, this would not be attributed to executive skill (i.e. improvements in the macro environment could work against executives). Finally the firm will be introducing ESG targets into future bonus metrics – they will relate to climate, gender pay gap, and financial inclusion. We are excited to learn of this development, and consider Mastercard a leader on many of these issues. We decided to support the firm, against the recommendations of ISS.

UnitedHealth

ISS recommended a vote against compensation primarily because the former CEO was given generous severance, which would usually be reserved for leaving with cause rather than for retirement. However this retirement, outlined by the company as a chance for the CEO to spend more time with his family, seems to us related to the stresses of running a business at the height of a global pandemic. This, for us, went some way to explaining this decision. Another point which ISS seemingly misunderstood – noting it as an additional 'red flag'–was that Covid-related matters were removed from annual bonuses not because this was a headwind for the company but because this was a tailwind. Therefore the firm limited the potential 'upside' to them from this issue. We decided to support the firm, against the recommendations of ISS.

Director related

In addition to our voting at Charter Communications – discussed under executive compensation above – below we outline our director related votes that were either against management or against the recommendations of ISS.

Danaher

We voted against the Head of the Audit Committee at Danaher. As explained in previous reports, the firm historically allowed pledged shareholding, and the founding brothers still hold pledged shares. The firm explained some of its processes for overseeing related risks, and we also noted that many Audit Committee members had not been on the Board when this practice was allowed. As such, rather than voting against the whole Audit Committee, as recommended by ISS and undertaken in previous years, we took this more targeted action.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Alcon

ISS considered one Board member, Keith Grossman, to be overboarded, as he holds one CEO/Chair role and another Chair role. Whilst we understand the concern with time-management, we also considered that Alcon is a smaller and more focused company than many comparable firms, and that Grossman appears to have highly relevant experience. He has over 30 years of experience with medical devices and supplies, including in CEO roles. We believe that his knowledge and experience will, despite his other commitments, be additive to the strategy and oversight of the firm, and supported his re-election.

T-Mobile

T-Mobile's governance structure is less conventional than most public companies. The Board is only 31% independent which might be seen as a cause for concern. This ratio is partly explained by the presence of Deutsche Telekom appointees on the Board, due to its 52% holding in T-Mobile. We see Deutsche Telekom as a committed, long-term shareholder, who has made considerable efforts to transform its strategy, brand and performance. Evidence of this includes its instrumental role in the highly accretive acquisition of its competitor Sprint, which completed in 1H 2020, and the appearance of long-term strategy documents revealed as part of the legal process around the acquisition.

Therefore, as we did last year, we supported the re-election of Deutsche Telekom Directors at the AGM. One difference from last year related to our votes on directors representing Softbank, who were placed on the Board due to the Sprint deal but who we did not consider to have long-term commitment to T-Mobile. Last year we voted against both of these members, and subsequently Softbank sold down its stake. Positively, one Softbank representative subsequently left the Board and the remaining representative – Marcelo Claure – is the former CEO and Chairman of Sprint and held 0.5% of T-Mobile at the time of the annual general meeting. We thought such representation was reasonable, especially given the individual's history, and so supported all directors this year.

Climate change

As noted in the introduction to this report – climate change came to the fore this US proxy season. The idea of a 'Say on Climate' proposal emerged. Intentionally mirroring the colloquial term for a shareholder vote on compensation ('Say on Pay') – this emphasises that shareholder oversight of a firm's climate action plan is as important as oversight on pay. Encouragingly, a few firms proactively introduced such resolutions when encouraged by shareholders.

One such business held by the fund is **S&P Global** – whom we regard as a leader in the provision of climate & ESG data. The firm pre-empted the shareholder filing of this resolution, by offering its own. It outlined its emissions reduction plan and put this to the vote with the following rationale, with which we wholeheartedly agree: "The Company believes that it has a responsibility to help address the world's environmental challenge, and shareholder feedback is important as we consider our path forward and advance the Company's sustainability strategy".[33]

[33] S&P 2021 Proxy statement.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

M&A related voting

S&P Global bought IHS Market, which we were happy to support. We are interested in the complementary datasets and value proposition for clients – including on climate related data, with IHS market having more ‘real world’ data related to climate and industry, and S&P a wealth of modelled climate data.

Other business

In some European markets it is common to ask shareholders to vote for other matters which may arise in the meeting. **Alcon**, headquartered in Switzerland although with core operations in the US, had such a resolution. The content to be voted on is not known in advance, so we do not support these resolutions.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Shareholder Resolutions

We supported 48% of shareholder resolutions – up from 37% in 2020. We evaluate these on a case-by-case basis, with only a few exceptions where we see issues as uniformly important to increasing public and investor trust in companies (such as lobbying transparency, detailed below). This approach allows us the flexibility to identify material areas to a particular company, engage constructively with management, and reward progress on an area. Above all, we act in line with our purpose: to create compelling compound returns for our investors over decades. We are therefore mindful of whether improved performance or transparency may lead to superior long-term returns. **In 2021 we supported all climate related resolutions put before us**, reflecting the importance of this issue and the scope for corporate progress on it.

Case study: Amazon

Our approach to voting at Amazon is a particularly complex example, which is nevertheless illustrative of our approach to shareholder resolutions. In total we supported one third of shareholder resolutions.

Resolutions Supported	
Resolution	**Voting Rationale**
Employees considered for Board seats	We thought it appropriate for Amazon employees to be considered for Board seats. Despite what we believe to be improved practices, Amazon still faces employee-related controversies and could benefit from employee representation at the Board level. We consider this particularly timely given the firm's enhanced purpose, with the aim to be Earth's best employer and safest place to work.
Civil Rights, Equity, Diversity and Inclusion Audit & Report	Continuing focus on these themes would be welcome, and this audit is not unprecedented among 'Big Tech' firms. For instance Facebook undertook this civil rights audit, which is publicly available. Amazon has engaged a third party to conduct an internal human rights 'salience' assessment, covering workforce, supply chain and product issues – from which they say enhancements to policy and practice will follow. But this is only a first step, and is not public.
Human Rights Impact Report: Range of Technologies	This requested a third party report on Amazon's due diligence on customer use of surveillance, computer vision and cloud based products, given their potential human rights impacts. We assessed that greater focus on the interplay between human rights and technology was needed, and supported the resolution.
Reducing Threshold for Shareholders to Call Special Meeting	This requested that the threshold to call a special meeting be lowered to 20%. We have committed to support these types of resolutions at a reasonable threshold and as such voted in favour.
Lobbying Report	We voted for this resolution, in line with our policy.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Resolutions Not Supported	
Resolution	**Voting Rationale**
Plastic reporting	Amazon emphasised that it is particularly complex for them to establish overarching firm-wide targets on all aspects of plastic, given its use in different parts of the value chain, and different market conditions. Some milestones include its phase out of single use plastic products from stores in some developed markets such as the UK, France, Italy, Spain, Germany, and the Netherlands. It has also eliminated all single-use plastic in packaging in India. On the customer side it is aiming to incentivize more environmentally aware purchasing. From late 2020 it has begun to mark products on its website as 'climate friendly' if they have certain certifications or meet certain standards. As at the last public update, on Earth day in April 2021, there were 75,000+ of these products across the U.S. and EU. We were also encouraged that Amazon joined the Ellen MacArthur Foundation's Network last year, and pointed them to the targets outlined by the group's New Plastics Economy work, as a matter for consideration. Despite the firm's important progress in many areas, we learned that Covid had been a barrier in some areas of the business, and stretched supply of sustainable packaging. Overall, given the progress in 2020 despite the challenges presented by the year we decided not to vote for the resolution this year. We will continue to monitor progress, and engage with the firm.
Report on Anticompetitive risks	We see risk of antitrust regulation as critical to the company. However, we do see a limit to what the company can disclose on this issue. They may expose themselves to greater legal challenge should they detail the types of risks and issues on which they are focusing. The company have also stated that this issue is considered by the Audit Committee.
Global Median Gender/Racial Pay Gap Report	The firm achieved gender pay equity in 2020 and is shortly to publish a comprehensive breakdown of employees by diversity characteristics (an "EEO-1 report") at different levels of seniority.
Promotion Velocity Report	The resolution called for disclosure of promotion velocity (times from hiring to promotion/ between promotions) for diverse employees. This is not a standard metric and, as outlined above, Amazon is improving its diversity related practices and disclosure.
Independent Chairman	It is often advantageous to split these roles. But, considering the long-term strategic importance of Jeff Bezos to Amazon – and particularly as he is stepping away from the position of Chair – we decided not to support this resolution.
Human Rights Impact Report: Facial Recognition	Just before the meeting, the firm committed to indefinitely extend the ban on the sale of facial recognition to law enforcement. It first implemented this in the Summer of 2020.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Environmental – climate change

As noted above, we supported all climate related resolutions put before us this year. As a reminder, we see climate as a key risk and opportunity for all businesses, and it is therefore perhaps unsurprising that we voted for all such resolutions. But there were some particular considerations for each firm, briefly outlined below.

Berkshire Hathaway

We have taken time to review discussions of climate change at the corporate level, and reporting by some underlying subsidiaries. For instance the firm's utilities business – Berkshire Hathaway Energy – has invested $30 billion in renewable energy. At the AGM the firm also outlined its renewed climate target of 50% emissions reduction from 2005 levels by 2030 (in line with the US economy-wide target) as well as plans to phase out coal. However, we agree that either aggregate reporting at the parent level, or consistently strong reporting and ambition at the subsidiary level, would benefit the company.

Charter

Unlike S&P, Charter resisted a 'Say on Climate' resolution. The firm has poor disclosure on this issue, and we believe they should do more to prioritise and evidence consideration of ESG issues.

Union Pacific

We were encouraged to see the firm developed a rigorous, science based, climate target. We also see rail taking share from trucking as having climate benefits. However, unlike S&P's approach in welcoming the input of shareholders on its climate plan, we were concerned that Union Pacific were less open to shareholder input into its climate strategy. On this basis, we voted for the motion.

Social – diversity & inclusion

Diversity and inclusion are important aspects of a firm's approach to human capital – which we view as a key issue for every business in which we invest. Unlike greenhouse gas emissions, we think that this is hard to 'measure' with conventional metrics, particularly when it comes to inclusion. We therefore focus on the employee experience more than workforce metrics. We systematically monitor employee feedback on both mainstream review sites – which ask about diversity and inclusion among many other issues – but also on the female-focused review site InHerSight. We also monitor Board diversity, in the broadest sense where possible, when making voting decisions. We generally vote for resolutions where we see shortcomings in a firm's approach to this issue, or very limited disclosure. Our voting on such resolutions at Amazon is outlined in the case study above, and other votes are noted below.

Berkshire Hathaway

The firm was encouraged to report its diversity and inclusion efforts. The request was focused broadly on strategy, rather than particular metrics. For instance, it requested detail on: "the process that the Board follows for assessing the effectiveness of diversity, equity and inclusion programs". We thought this approach seemed reasonable and, as described with the reference to climate above, also note room for improvement on ESG matters in general. We supported this resolution.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Charter Communications

As with climate, the firm report very little information on this issue. We also think they would benefit from greater focus on human capital; as a result we supported two resolutions – one focused on strategy and the other disclosure.

Union Pacific

Union Pacific does disclose diversity related information – in fact more so than peers. However, we believe that human capital management in general could be a greater focus for the business. Therefore we did not support a diversity disclosure resolution related to workforce metrics, but did support the more strategic resolution around diversity and inclusion.

Social – health

McDonald’s

We voted for two health resolutions at McDonald’s. The first asked for more disclosure on the firm’s approach to phasing antibiotics out of its supply chain. These past few years have vividly evidenced both the interrelationship between human and animal health, and the risk of mutation. Overuse of antibiotics in animals could lead to mutations, and create antibiotic resistant bacteria. Although McDonald’s has made some related commitments, these could be more immediate and ambitious.

In parallel, the pandemic has also emphasised the impact of diabetes, obesity and other so called ‘lifestyle diseases’ on other health risks. One shareholder resolution called for more reporting on the firm’s approach to sugar and public health more generally. Again we felt that the firm’s commitments in this area could be more ambitious. As a result we supported both resolutions.

Social – human rights

A shareholder resolution at **Thomson Reuters** asked for a human rights report. One of the key reasons raised by the shareholder was that the firm sold a product enabling background checks to the US government’s Immigration and Customs Enforcement agency, which the shareholder saw as carrying out “inhumane family separation and detention”. The company point out that this contract expired earlier in the year.

Moreover we see this as one of the best examples in our Fund of a company for which human rights has always been central to the business. This is reflected in the company’s unusual governance structure. A Founders Share belongs to the Thomson Reuters Founders Share Company which enables it to exercise special voting power in the event that it needs to safeguard the Thomson Reuters Trust Principles – around the protection of integrity and impartiality. This builds on the company’s history and experience of a time when fascist governments were capturing the media in Western countries. The Founders’ company members include two persons appointed after consultation with the European Court of Human Rights (ECHR). Additionally, the firm’s legal research and data includes that relating to human rights. Overall we decided not to support the resolution.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Social – prison labour

A shareholder resolution asked for more information on **Home Depot's** approach to use of prison labour. The company noted that it had already removed the allowance of voluntary prison labour in its supply chain, and that they had taken other steps to raised standards in line with the recommendations of the Responsible Business Alliance. The firm also note that none of their c.2,700 factory audits in 2019-2020 identified use of prison labour. As a result, we decided not to support the resolution.

Social – sexual harassment

Comcast was asked to issue a fully independent report on risks regarding sexual harassment. In 2017 there were credible, and severe, sexual harassment allegations related to "Today" host Matt Lauer, who was fired from the company. As a result Comcast conducted an investigation that, while not independent of the company, was independent of the NBC News organisation who employed him. Comcast was also assisted by two external law firms. The report outlined that there were no severe, systemic failings, but recommended additional training and communication on how to prevent and report such issues. We discussed this in detail with the firm before our vote on this same issue in 2020, and also looked again at recent reviews from its female employees. We decided to support the company on this occasion.

Governance – action by written consent

We voted against resolutions regarding action by written consent (at **Fortive, Home Depot, PayPal, McDonald's** and **Texas Instruments**). Action by written consent allows shareholders to pass motions by circulating 'consent solicitations' to each other. We have learned that it is usually possible for proponents with the support of a few shareholders to pass a resolution without notifying the others. There is also no time for research or for management to respond. As such, calling special meetings is a preferable alternative. We assess rights to call special meetings, and other mechanisms of shareholder oversight, before making decisions on action by written consent. We deemed all companies to have good provisions in place, and decided not to vote for any of these resolutions.

Governance – benefit corporation

Two companies – **S&P Global** and **Tractor Supply Company** – had shareholder resolutions requesting an amendment to their certificates of incorporation to become a Public Benefit Corporation. While we saw the advantage in tying these companies' legal structure to stakeholders, we also took onboard the argument that this is something of an unknown. For instance, S&P noted: "uncertainties in the application of state corporate laws applicable [to] public benefit corporations and the absence of established legal precedent." Both companies articulate the way in which they seek to benefit key stakeholders, and we decided not to support either resolution this year.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Governance – lobbying / political contributions

We voted for all resolutions relating to lobbying or political contribution transparency including at **Amazon** (see above) and **Charter Communications**. We vote for these issues by policy given the benefit they provide in increasing corporate transparency to shareholders, and the public.

A resolution filed by a women's health foundation requested an assessment of the consistency of **Home Depot's** lobbying with the health foundation's own ideology. The wording of the resolution was unusual in criticising not transparency per se but ideology, in a politically charged manner. Through engagement in 2020 – when the same resolution was tabled – we discovered that the filer wanted Home Depot to take a public stance on women's health, above its internal benefits which included related contributions. We agreed that this was not in the best interests of shareholders, and also noted the firm's strong current disclosure of lobbying activities. On this basis we decided to vote against the resolution.

Governance – simple majority vote

At Findlay Park we adopt a 'keep it simple' approach, and welcome this in other firms. We therefore voted for resolutions to change voting standards to a simple majority (i.e. over 50%) standard for passing resolutions. These were tabled at **CoStar** and **Intercontinental Exchange** (ICE), and we supported both these.

Governance – special meeting threshold

We voted for three of the six resolutions on lowering the threshold for shareholders to call a special meeting. Our decisions were based on our protocol to vote for resolutions asking for this threshold to be 15%, but not below. We think rights to call a special meeting are important. But there are many cases where the largest shareholder holds significant amounts of a firm, and a threshold below this 15% level could risk advantaging one shareholder. Resolutions at **CBRE, Danaher** and **UnitedHealth** called for a 10% threshold, which we voted against. Other resolutions at **Amazon** (see above), **Becton Dickinson** and **ThermoFisher** were above this level, warranting support.

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

Important Information

This document has been prepared by Findlay Park Partners LLP (FPP) and relates to the Findlay Park American Fund, a sub-fund of Findlay Park Funds Plc (Fund) which is an open-ended investment company authorised by the Central Bank of Ireland. The information provided herein is not directed at or intended for distribution to any person or entity who is a citizen, resident or located in any jurisdiction where the distribution of these materials and/or the purchase or sale of shares in the Fund would be contrary to applicable law or regulation or would subject the Fund to any regulation or licencing requirements in such jurisdiction. The material included herein is confidential and is intended solely for the use of the recipient and should not be redistributed in any way without FPP's prior written consent.

Risk Warnings: The value of investments and the income received from them may go down as well as up, and you may not get back the original amount invested. The base currency of the Fund is US Dollar. The Fund may invest in assets which are denominated in other currencies; therefore changes in the exchange rate between the base currency and these currencies will affect the value of the Fund. Where an investor's own currency is not the US Dollar then, due to exchange rate fluctuations between such currency and the US Dollar, the performance of their investment may increase or decrease if converted into their currency. **Past performance is not a reliable indicator of future results.** FPP accepts no liability for any loss or damage arising from the use or misuse of, or reliance on, the information provided including, without limitation, any loss of profits or any other damage, whether direct or consequential.

This is a marketing communication. Please refer to the Fund's Prospectus and KIID before making any final investment decisions. The Fund Board may, at any time, take a decision to stop marketing the Fund in any EEA Member State in which it is currently marketed. In this situation, those shareholders affected will be notified and provided an opportunity to redeem their holding in the Fund, in accordance with the terms of the Fund's Prospectus, for at least 30 working days from the date of being notified.

Nothing contained in this document constitutes investment, accounting, tax or legal advice or an offer to sell, or a solicitation of any offer to buy, any interests or shares in any investment. Any investment in the Fund will be subject to the terms, including a list of risk factors and conflicts of interest, set out in the Fund's Prospectus, KIID, Summary of Investor Rights and Supplementary Information Document. These documents (including Dutch, French, German, Italian, Spanish and Swedish translations of the KIID and Summary of Investor Rights) are available at www.findlaypark.com and upon request.

The information contained in this document is believed to be accurate at the date of publication. No representation or warranty is made as to its continued accuracy after such date and the information, including the holdings and allocations disclosed, is subject to change without notification. The document may include information derived from third parties. All rights for third party data is reserved. Whilst FPP believes such sources to be reliable and accurate, no assurance is given in this regard. Unless otherwise indicated, all figures are sourced from FPP. FPP does not warrant the accuracy, adequacy or completeness of the information and data contained herein and expressly disclaims liability for errors or omissions in the information or data. No warranty of any kind, implied, expressed or statutory, is given in connection with the information and data. Where links to third party websites or other resources are included in this document they are provided for your information only. We have no control over their contents and unless stated otherwise, their provision should not be interpreted as approval by us of either of those websites or any information you may obtain from them.

All references to FTSE Russell Indices or data used in this communication are subject to the copyright of London Stock Exchange Group plc and its group undertakings (collectively, the LSE Group). FTSE Russell is a trading name of certain of the LSE Group companies. "FTSE®" "Russell®" and "FTSE Russell®" are trade mark(s) of the relevant LSE Group companies and are used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in the relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors

© 2021 Findlay Park Partners LLP. Authorised and Regulated by the Financial Conduct Authority.

accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from the LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote, sponsor or endorse the content of this communication." All references to Standard & Poor's indices or data used in this document are © Standard & Poor's Financial Services LLC 2021. All rights reserved. "Standard & Poor's", "S&P" and "S&P 500" are registered trademarks of Standard & Poor's Financial Services LLC.

© Findlay Park Partners LLP 2021. All rights reserved.

---

[i] Although Findlay Park Partners LPP's information providers, including without limitation, MSCI ESG Research LLC and its affiliates (the "ESG Parties"), obtain information (the "Information") from sources they consider reliable, none of the ESG Parties warrants or guarantees the originality, accuracy and/or completeness, of any data herein and expressly disclaim all express or implied warranties, including those of merchantability and fitness for a particular purpose. The Information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for, or a component of, any financial instruments or products or indices. Further, none of the Information can in and of itself be used to determine which securities to buy or sell or when to buy or sell them. None of the ESG Parties shall have any liability for any errors or omissions in connection with any data herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.